

Message Text

CONFIDENTIAL

PAGE 01 MEXICO 01103 291525Z

ACTION ARA-06

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C O N F I D E N T I A L MEXICO 1103

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SUBJ : CONVERSATION WITH PRESIDENT LOPEZ PORTILLO RE HIS VISIT

1. I SAW PRESIDENT LOPEZ PORTILLO ALONE THIS MORNING
AND AFTER EXPRESSING HIS THANKS FOR THE HOSPITALITY SHOWN
TO MRS. LOPEZ PORTILLO DURING THE INAUGURATION (SEE MEXICO 1102)
HE ALSO DISCUSSED IN GENERAL TERMS HIS FORTHCOMING TRIP. HE
MADE THE FOLLOWING POINTS:

A) FRIENDLY AND CLOSE RELATIONS BETWEEN MEXICO AND THE
UNITED STATES ARE NATIONAL REQUIREMENTS FOR MEXICO AND TO
SOME DEGREE ALSO FOR THE UNITED STATES. THE MAIN PURPOSE
OF HIS TRIP WAS TO DEMONSTRATE THE IMPORTANCE THAT HE ATTACHES
TO THIS RELATIONSHIP.

B) REGARDING THE SUBJECTS WHICH WOULD BE COVERED IN HIS
CONVERSATIONS WITH PRESIDENT CARTER AND OTHER OFFICIALS, HE
WISHED TO KNOW IF THERE WOULD BE A TIGHT AGENDA OR IF THE
CONVERSATIONS COULD COVER A BROAD GROUND. HE HIMSELF
PREFERS A LESS FORMAL APPROACH, PARTICULARLY AS HE CONSIDERS
THAT ALL OF MEXICO'S PROBLEMS, BOTH DOMESTIC AND WITH
THE UNITED STATES, WERE TO SOME DEGREE INTER-RELATED
AND SHOULD REALLY BE APPROACHED AS A PACKAGE.

C) MEXICO'S PRINCIPAL IMMEDIATE PROBLEM IS OBVIOUSLY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MEXICO 01103 291525Z

A FINANCIAL ONE. HE GREATLY APPRECIATED THE HELP THAT
THE UNITED STATES HAD ALREADY GIVEN OR HAD HELPED
MEXICO TO OBTAIN. HE RECOGNIZES THAT THE UNITED STATES
COULD NOT INSTITUTE A "MARSHALL PLAN" FOR MEXICO BUT
HOPED THAT THE USG COULD BE HELPFUL IN ONE WAY OR
ANOTHER AND PARTICULARLY IN REGARD TO USING ITS INFLUENCE
WITH THE COMMERCIAL BANKS, WITH THE IMF AND THE OTHER INTERNATIONAL

LENDING AGENCIES.

2. REGARDING THE ABOVE, HE STRESSED THAT IN DEVELOPED COUNTRIES, UNLIKE MEXICO, THE IMF COULD REASONABLY INSIST THAT THE GOVERNMENT NOT RESORT TO DEFICIT FINANCING IN THE CERTAINTY THAT THE PRIVATE SECTOR WOULD PROVIDE FOR THE CONTINUED INDUSTRIAL AND OTHER GROWTH OF THE COUNTRY INVOLVED. UNDER CURRENT CIRCUMSTANCES, THIS WAS NOT TRUE IN MEXICO AS THE PRIVATE SECTOR HAD BEEN THE FIRST TO REMOVE THEIR MONEY FROM THE COUNTRY AND DID NOT YET HAVE THE CONFIDENCE TO BRING IT BACK IN MASSIVE QUANTITIES. HE HAD FORTY LEADING BANKERS AND INDUSTRIALISTS FOR LUNCH TWO DAYS AGO AND HAD IMPRESSED ON THEM THE NEED TO FULFILL THEIR RESPONSIBILITIES, STRESSING AS A COUNTERPOINT THAT THE GOVERNMENT WAS DISPOSED TO GIVE EVERY SORT OF COOPERATION TO PRIVATE INVESTMENT, DOMESTIC AS WELL AS FOREIGN, WHICH TO BE TRULY USEFUL SHOULD BE ON A LONG-TERM BASIS. IN REPLY TO MY QUERY, THE PRESIDENT ASSURED ME THAT PRIVATE AND FOREIGN INVESTMENT WOULD BE VERY WARMLY WELCOMED. WHILE MEXICAN LAW MUST BE OBSERVED, THERE WAS FLEXIBILITY ENOUGH TO ASSURE A GOOD CLIMATE AND HE HIMSELF RECOGNIZED THAT FOREIGN INVESTMENT PROVIDED THE BEST VEHICLE FOR INDUSTRIAL GROWTH, CREATION OF JOBS, PRODUCTIVITY, EXPORT POSSIBILITIES AND TRANSFER OF TECHNOLOGY.

3. HE WOULD ALSO WISH TO DISCUSS, AS HE DID ON HIS SEPTEMBER VISIT, A BETTER ACCESS FOR MEXICAN PRODUCTS TO THE AMERICAN MARKET. HE WAS NOT SO CONCERNED OVER CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MEXICO 01103 291525Z

TARIFF RESTRICTIONS AS OVER THE OTHER NON-TARIFF BARRIERS THAT FREQUENTLY INTERRUPT THE FLOW OF MEXICO'S MANUFACTURES AND, MOST OF ALL, OF ITS LABOR-INTENSIVE AGRICULTURAL PRODUCTS. HE ALSO RECOGNIZED HOW DIFFICULT IT WOULD BE TO ORGANIZE AND MESH THE AGRICULTURAL SYSTEMS OF THE RESPECTIVE COUNTRIES BUT IN HIS MIND IT WAS INFINITELY BETTER FOR MEXICO TO IMPORT AMERICAN CORN AND WHEAT, WHICH THE UNITED STATES RAISES MORE ECONOMICALLY, AND PERMIT MEXICO TO SUPPLY THE U.S. WITH LABOR-INTENSIVE FRUITS AND VEGETABLES, PARTICULARLY IN THE UNITED STATES' OFF SEASONS. HE HOPED THAT HIS INTEREST IN THIS MARKET COULD BE BROUGHT TO PRESIDENT CARTER'S ATTENTION BEFORE THE VISIT IN ORDER THAT THEY MIGHT DISCUSS IT FRUITFULLY.

4. OBVIOUSLY BOTH THE MIGRANT PROBLEM AND THE NARCOTICS PROBLEM WOULD BE ON THE AGENDA; AND HE WAS PREPARED TO DISCUSS THEM. HE HOPED THAT THE U.S. SIDE WOULD

KEEP IN MIND, HOWEVER, THAT THESE SUBJECTS ALSO WERE RELATED TO MEXICO'S AGRICULTURAL AND FINANCIAL STATE.

5. HE WOULD ALSO BE PREPARED TO DISCUSS INTERNATIONAL PROBLEMS. IT WOULD BE PRESUMPTUOUS ON HIS PART TO OFFER TO ASSIST US ON SUCH PROBLEMS BUT HE WANTED US TO KNOW THAT HE WAS DISPOSED TO BE HELPFUL IN ANY WAY WE MIGHT THINK USEFUL. HE STRESSED THAT HE WAS REFERRING TO LATIN AMERICAN PROBLEMS AND NOT IN ANY WAY TO "THIRD WORLD PROBLEMS" AS SUCH. HE IMPLIED THE THIRD WORLD KICK WAS PART OF MEXICO'S PAST HISTORY.

6. IN REPLY TO A LEADING QUESTION, HE STRESSED HIS INTEREST IN THE CONCEPT OF "NORTH AMERICAN INTERDEPENDENCE". THIS TOO HE CONSIDERED A "PACKAGE" AND ONE WHICH WOULD PERMIT ALL THE COUNTRIES INVOLVED TO DEAL WITH MUTUAL PROBLEMS ON A MORE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MEXICO 01103 291525Z

ACCEPTABLE BASIS WHICH MIGHT BE LESS SUBJECT TO LOCAL CRITICISM.

7. WHILE HE WAS INTERESTED IN THE PROBLEM OF COORDINATING RELATIONS BETWEEN OUR TWO COUNTRIES, HE RECOGNIZED THAT THIS WAS A NEED WHICH REQUIRED A GREAT DEAL OF THOUGHT ON BOTH SIDES IN ORDER TO FIND APPROPRIATE MECHANISMS, RECALLING THAT MANY SUCH PAST EFFORTS HAD FALLEN BY THE WAYSIDE.

8. COMMENT: THE PRESIDENT WAS OBVIOUSLY ENTHUSIASTIC AT THE PROSPECT OF HIS TRIP AND HAS ALREADY GIVEN A GREAT DEAL OF PERSONAL THOUGHT TO IT. I UNDERSTAND HE HAS ESTABLISHED PREPARATORY WORKING GROUPS IN VARIOUS MINISTRIES. HE FELT THAT MRS. LOPEZ PORTILLO'S SUCCESSFUL VISIT TO WASHINGTON AND THE ARM HOSPITALITY EXTENDED TO HER BY PRESIDENT AND MRS. CARTER HAD SET THE STAGE FOR MORE SUBSTANTIVE DISCUSSIONS WHICH WOULD NOW TAKE PLACE.

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